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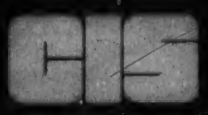

Calendar No. 781

97TH CONGRESS
2d Session

SENATE

REPORT
No. 97-541

CARIBBEAN-CENTRAL AMERICAN ECONOMIC REVITALIZATION ACT OF 1982

SEPTEMBER 10 (legislative day, SEPTEMBER 2), 1982.—Ordered to be printed

Mr. PERCY, from the Committee on Foreign Relations, submitted the following

REPORT

[To accompany S. 2899]

The Committee on Foreign Relations, having considered an original bill (S. 2899) to authorize assistance to promote economic revitalization in the Caribbean and Central America, reports favorably thereon and recommends that the bill do pass.

PURPOSE

The purpose of this bill is to promote the economic revitalization of the countries in the Caribbean and Central American area by providing emergency economic assistance. The legislation is designed to help these countries address the economic problems affecting them. These problems are related to the political and social instability characteristic of most countries in Central America, and the low levels of development of the smaller islands in the Caribbean. The Caribbean-Central America Economic Revitalization Act contains the fiscal year 1982 foreign assistance portion of the Caribbean Basin Initiative, which was introduced as a comprehensive trade, aid, and investment package in S. 2237. The Committee decided to designate the aid portion of the CBI as the Caribbean-Central America Economic Revitalization Act of 1982 in order to facilitate early transfer of emergency economic assistance to the Caribbean Basin countries.

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BACKGROUND

On February 24, 1982, in a speech before the Organization of American States, President Reagan unveiled a U.S. initiative intended to assist the countries of the Caribbean Basin (which includes the island countries of the eastern and northern Caribbean, Suriname and Guyana on the northeast coast of South America and the countries of Central America, including Panama). In announcing his intention to assist the Caribbean region, President Reagan highlighted the vital U.S. foreign policy interests in promoting continued economic development and security in that region.

That initiative took a concrete form with a legislative proposal transmitted to the Senate on March 17, 1982. As originally conceived by the Administration, that legislative proposal was made up of three components: changes in the tariff treatment for a number of products originating from Caribbean Basin countries; extension of the domestic investment tax credit for U.S. investment made in beneficiary Caribbean Basin countries; and a $350 million fiscal year 1982 supplemental budget request for Economic Support Funds for the region. The package was the result of several months of inter-agency planning and consultation with governments and institutions in the region under the coordination of United States Trade Representative, Ambassador William E. Brock.

In conjunction with the Caribbean Basin Program, the Administration consulted internationally with other interested donors in an effort to assure multilateral cooperation in Caribbean development efforts. An initial meeting of foreign ministers of the United States, Mexico, Venezuela, and Canada, was held in Nassau in July 1981. Colombia subsequently indicated its interest in joining the donor group. Each agreed to consider increased support for the region, although there were sharp differences in interpretation as to the rationale for the program, the political conditions and appropriate policy regarding specific countries, as well as the appropriate level of contributions to the development effort by each donor.

Since the major components of the Administration's proposed initiative came within the jurisdiction of the Senate Finance Committee that Committee initially received sole jurisdiction over the legislation. However, after discussions among the Chairmen and Ranking Members of the Senate Foreign Relations and Finance Committees, S. 2237 was referred jointly to the Senate Foreign Relations Committee for the sole purpose of considering Title II—the supplemental fiscal year 1982 authorization of appropriations of $350 million in Economic Support Funds. The following letter setting forth that agreement was transmitted to Senate Majority Leader, Howard Baker:

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, D.C., May 4, 1982.

Hon. HOWARD BAKER,
Majority Leader,
U.S. Senate, Washington, D.C.

DEAR HOWARD: The Administration's proposed legislation to implement the Caribbean Basin Initiative, S. 2237, was referred to the Committee on Finance. The bill primarily involves legislation which would

alter current trade and tax law. However, Title II of the bill entails a $350 million fiscal year 1982 supplemental authorization of Economic Support Funds. These funds would be authorized under the general authority of the Foreign Assistance Act of 1961, as amended. As such, this title of the bill more properly falls within the jurisdiction of the Committee on Foreign Relations.

We, therefore, request that S. 2237 be jointly referred to the Committee on Finance and the Committee on Foreign Relations, provided that the Foreign Relations Committee is authorized to consider only Title II of the bill and the Committee on Finance is authorized to consider Titles I, III, and IV of the bill.

Sincerely,

ROBERT J. DOLE.
RUSSELL B. LONG.
CHARLES H. PERCY.
CLAIBORNE PELL.

The Caribbean Basin Initiative's (CBI) financial assistance package as originally proposed by the Administration, was to be a fiscal year 1982 supplemental request—above and beyond what the Congress had already authorized for fiscal year 1982. These funds were to be in addition to the $535.6 million already planned for 1982 and in addition to $785 million which the Administration had proposed for the region as part of its fiscal year 1983 request. Of the $535.6 million already authorized for fiscal year 1982, $485.9 million was in the form of economic assistance, with only $49.6 million in the form of military assistance. In the proposed fiscal year 1983 aid request, $678 million is currently in the form of economic assistance with the remaining $106 million in the form of military assistance. Table I below gives a more complete breakdown of the Administrations foreign assistance (actual and anticipated) funds which have been or were to be directed to the region from fiscal year 1980–fiscal year 1983.

TABLE I.—U.S. ASSISTANCE TO THE CARIBBEAN BASIN

[In thousands of dollars]

	1980	1981	1982 estimate	1982 supplement	Proposed 1983
Development assistance	224,980	168,405	211,127	----------	217,600
ESF	15,225	143,374	140,000	350,000	326,000
Public Law 480	83,372	108,703	123,126	----------	120,932
Peace Corps	11,532	748	11,657	----------	14,271
Total, economic assistance	335,469	421,230	485,910	350,000	678,803
Military assistance	13,889	50,513	49,675	50,000	106,233
Total	349,358	471,743	535,585	400,000	785,036

The Administration's original allocation of the $350 million supplemental request would have resulted in a sizeable share of the total going to El Salvador ($128 million). The Administration had no plans to allocate any of the funds to Guatemala or Nicaragua. It is

the Committee's understanding that it is now the executive branch's intent to allocate the funds as follows:

	Millions
El Salvador	[1] $100
Costa Rica	70
Jamaica	50
Dominican Republic	40
Honduras	35
Eastern Caribbean	20
Guatemala	11
Haiti	10
Belize	10
American Institute for Free Labor Development (AIFLD)	2
Inter-American Foundation (IAF)	2

[1] Of this amount, $20 million is earmarked for support for the land reform program, with the local currencies specifically designated for the payment of compensation for phase III of the land reform program.

It is the committee's expectation that this allocation will be implemented, obviously subject to the ability to reach the necessary agreements and understandings with the recipient nations and subject to altered conditions in specific countries. If changes are necessary, the committee expects to be kept fully informed, as required by section 634A of the Foreign Assistance Act, and to be consulted.

SUMMARY OF MAJOR PROVISIONS OF THE BILL

This bill—

(1) authorizes appropriations of $350 million in emergency economic assistance for the countries of the Caribbean Basin region in addition to funds already authorized for appropriation in Fiscal Year 1982;

(2) states a Congressional finding that the funds authorized under the Act are intended to meet the problems of an immediate economic crisis in the Caribbean Basin region and its belief that future programs should be more development-oriented and channelled to the maximum extent through multilateral mechanisms.

(3) provides guidelines for the application of funds which include—

(a) a requirement that 80 percent of the funds appropriated under the act be used to generate local currencies to support activities consistent with the development assistance policy guidelines of the Foreign Assistance Act of 1961;

(b) an earmark of not less than $43,750,000 for application in development assistance projects of which $10 million are to be made available for use by private voluntary organizations, $7.5 million are to be made available for scholarships and training in the United States, and not less than $2 million are to be made available to the Inter-American Foundation;

(c) a ceiling of $80 million on the amount of funds that can be made available to any one country, except for funds that may be made available to El Salvador for application in the land reform program as provided for in Section 4(a).

(d) a requirement that the President seek a reasonable balance between support for the public sector and the private sector and between balance-of-payments support and support for development projects in aplying funds in the region;

(e) a requirement that assistance, including assistance in local currencies, shall be used in a manner that will not cause injury to the production, marketing or pricing of United States agricultural commodities or products;

(f) a requirement that the President certify to the Congress that the Government of Haiti has met fiscal performance targets established by the International Monetary Fund before funds may be made available to Haiti.

(4) provides that under certain specified conditions an additional $20 million may be made available to El Salvador for purposes of facilitating the land reform program there, particularly those aspects relating to the transfer of titles and the compensation of former owners;

(5) expresses the sense of the Congress that the President, in negotiating replenishments of the ordinary capital account and the Fund for Special Operation (FSO) of the Inter-American Development Bank (IDB) shall consult with other donors in order to ensure that the size of these replenishments permits a 15 percent annual increase in bank lending to the Caribbean Basin countries through 1987;

(6) expresses the sense of the Congress that programs undertaken as part of the Caribbean Basin Economic Recovery Act shall not detract from the special relationship that exists between the United States and Puerto Rico and the Virgin Islands and shall enhance and stimulate the economic development of those territories.

(7) provides that funds made available to Haiti shall, to the maximum extent possible, be provided through private voluntary organizations or be destined for the private sector;

(8) expresses the sense of Congress that in promoting activities of the private sector within the Caribbean Basin region, attention shall be paid to developing tourism throughout the region;

(9) expresses the sense of Congress that the President in reaching agreements with Caribbean Basin countries pursuant to the Caribbean Basin Economic Recovery Act shall seek commitments by those countries to participate in the international arrangement for the sound management of the stock of Western Atlantic bluefin tuna; and

(10) requires the President to report annually to the Congress on the disposition of funds appropriated under the Act.

COMMITTEE ACTION

The Caribbean Basin Economic Recovery Act legislation was transmitted by the President on March 17, 1982. On March 18, the legislation was introduced by Senator Dole and referred to the Senate Finance Committee. Subsequently, after discussions among Chairmen and ranking Minority Members of the Senate Finance and the Foreign Relations Committees, it was agreed that S. 2237—the Caribbean Basin Economic Recovery Act—should be jointly referred to the Senate Finance and Senate Foreign Relations Committees provided that the Senate Foreign Relations Committee would only consider Title II, Emergency Economic Assistance, of the bill; Title I, Duty

Free Treatment, and Title III, Tax Provisions, to be considered solely by the Senate Finance Committee.

The Senate Foreign Relations Committee held two days of hearings on S. 2237. On March 25, the Committee received testimony from the following witnesses: Ambassador William E. Brock, U.S. Trade Representative; Deputy Secretary of State, Walter J. Stoessel; The Administration for the Agency for International Development, M. Peter McPherson; the Assistant Secretary of Treasury for International Affairs, Marc Leland; Assistant Secretary of Commerce for International Economic Policy, Raymond J. Waldman; Associate Director of the Foreign Agricultural Service, Department of Agriculture, Leo Mayer; Governor of the Virgin Islands, Juan Louis; Delegate of the Virgin Islands, Ron deLugo; Governor of Puerto Rico, Carlos Romero Barcelo; Resident Commissioner of Puerto Rico, Baltasar Corrada.

On March 31, the Committee received testimony from the following representatives from business, labor, and the academic community: President of Esso Inter-America, Archie Monroe; Director of the Department of Economic Research, AFL–CIO, Dr. Rudolph Oswald; President of the Aluminum Company of America, Charles C. W. Perry; Stanley Urban, Haitian-American Chamber of Commerce; Dr. William Cline, Institute for International Economics; Professor Albert Fishlow, Concilium of International and Area Studies, Yale University; Dr. Richard Newfarmer, Overseas Development Council and Professor Sidney Weintraub, Lyndon B. Johnson School of Government, University of Texas.

On May 19 and 20, the Committee held mark-up sessions on Title II of S. 2237. A number of amendments were offered by Members of the Committee with record votes on two of these amendments as well as on a vote to report the Title favorably to the Senate. The first record vote was taken on an amendment offered by Senator Zorinsky to remove El Salvador from the list of recipient nations receiving supplemental funds pursuant to the bill because of concern that 36 percent of the funds were earmarked for that Central American nation to the detriment of the other nations, especially those of the Eastern Caribbean. The amendment also required that the Committee assess separately the merits of giving additional aid to El Salvador, given the present political situation which exists there, and so that the controversial issue of aid to El Salvador not interfere with consideration of the CBI. This amendment was debated by the Committee at length and was defeated by a vote of 5 to 8 by the members present and voting, with Senators Pressler, Pell, Biden, Zorinsky, nad Tsongas voting aye and Senators Percy, Baker, Helms, Hayakawa, Lugar, Boschwitz, Kassebaum and Glenn voting nay. Subsequently, Senators Sarbanes, Cranston, and Dodd were recorded as voting aye.

A record vote was also held on an amendment offered by Senator Dodd to transform Title II of the Caribbean Basin Economic Recovery Act into a multilateral initiative by authorizing the President to negotiate with authorities of the World Bank (Bank) in order to establish a Caribbean Basin Trust Fund to be administered by the Bank—transferring most of the funds authorized to be appropriated by Title II to that trust fund. The Dodd amendment was adopted by a recorded vote of 9–8 with Senators Mathias, Pell, Biden, Glenn, Sarbanes, Zorinsky, Tsongas, Cranston, and Dodd voting aye, and

Senators Percy, Baker, Helms, Hayakawa, Lugar, Kassebaum, Boschwitz and Pressler voting nay.

The final recorded Committee vote on Title II of S. 2237 was to recommend favorably Title II of the bill, as amended, by a vote of 16–1 with Senators Percy, Baker, Hayakawa, Lugar, Mathias, Kassebaum, Boschwitz, Pressler, Pell, Biden, Glenn, Sarbanes, Zorinsky, Tsongas, Cranston, and Dodd voting aye; and Senator Helms voting nay.

In addition to the recorded votes, discussion took place on an amendment offered by Senator Lugar to repeal the current sugar price support law and replace it with discretionary authority for the Secretary of Agriculture to administratively establish a sugar price support program. Because of the agreement reached by the Senate Foreign Relations and Finance Committees concerning the scope of the Foreign Relations consideration of S. 2237, Senator Lugar withdrew his amendment, although he expressed his intention to offer it at an appropriate time on the Senate floor.

On September 9, the Committee reported favorably by a vote of 15–0 an original bill, offered by Chairman Percy in lieu of Title II of S. 2237 as amended by the Committee, in order to keep open the possibility of authorizing fiscal year 1982 funds before the end of the fiscal year.

COMMITTEE COMMENTS

The original bill adopted by the Committee represents a bipartisan compromise agreed to in order that the emergency economic assistance funds intended for the Caribbean Basin region would be available in fiscal year 1982. The bill adopted language passed by the House Foreign Affairs Committee for sections 1 through 4 and section 10, and incorporates the language of amendments made to Title II of S. 2237 in the Committee's original mark-up of that legislation in sections 5 through 9. Section 11 reflects a compromise worked out between Senators Percy and Dodd on the question of funding for the Caribbean Basin through multilateral development banks. The Committee considered the House Committee's language and adopted it in the hope that this action would expedite the authorization.

The Committee strongly supports the President's goal of assisting the nations of the Caribbean and totally concurs with the President's assessment that the United States has a vital stake in the well-being and security of the countries of the Caribbean Basin. The Committee also agrees that bold steps must be taken to improve the possibility for economic recovery and sustained growth in the region. The Committee believes that this is a precondition for fostering a favorable environment through which peaceful and democratic solutions can be reached to the hard political choices which currently confront these countries.

As the Committee on Foreign Affairs of the House of Representatives noted in its Report,

> Although the countries of the Caribbean and Central America have chosen different forms of government and different models of development to guide their economies, they are all trying to address similar problems. Due to a high dependency on foreign markets for their products and on foreign sources of energy supplies, the region has proven to be es-

pecially vulnerable to fluctuations in the international economic and financial systems. The dramatic increases in oil prices of recent years and the decline in prices for the region's major exports (sugar, coffe, bauxites, etc.), have imposed enormous burdens on the economies of the countries of the Caribbean and Central America including reducing significantly their rates of growth. These economies are trying to cope with high levels of inflation, rising interest rates, deteriorating trade opportunities due to increasing protectionism in industrial countries, and mounting public and private debt burdens. All of the economies in the area are currently characterized by severe balance-of-payments deficits and liquidity crises.

These economic difficulties have serious social and political ramifications. Growing unemployment and underemployment impose new demands on services provided by the government, while the government's ability to provide these services is drastically curtailed. In this vicious cycle, the private sector's profit-generating capability is limited and new investment is stalled, while the living standards of the population suffer. The poorest sectors of society are the hardest hit by these economic difficulties. These conditions breed political instability.

This legislation tries to address some of these short- and long-term economic problems as part of a larger effort by a network of donor countries including Mexico, Venezuela, Canada, and Colombia. All of these countries have agreed to focus their attention on and channel their efforts to revitalize the area. Each country has announced a separate program to help countries of the region meet their economic challenges.

The Committee also believes that it is important to foster multilateral aid initiatives especially given current domestic budgetary restrictions which severely limit U.S. capacity to provide foreign assistance. Multilateral efforts have proven to be more fruitful and have generated greater funds by fostering principles of international burden sharing among those nations which are both willing and able to provide assistance to developing countries. In this regard, the Committee wishes to call special attention to the amendment offered by Senator Glenn, which it adopted. Senator Glenn's Sense of the Congress amendment stresses the importance of the Caribbean region to the United States, and underlines the important role which multilateral banks, particularly the Inter-American Development Bank (IDB), have been playing in assisting the economies of the Caribbean both by providing resources and by encouraging the adoption of sound economic programs and projects. The Glenn amendment urges the President to take all of the above factors into consideration when participating in the ongoing replenishments of the IDB's ordinary capital account and concessional loan account—the Fund for Special Operations. This amendment, although not binding, also establishes targets for the sizes of these replenishments such that the IDB will be able to expand annual lending to CBI countries by 15 percent.

The Committee expresses particular concern that the Fund for Special Operations be of sufficient size to enable the Bank to provide a significant proportion of these loans on concessional terms.

SECTION-BY-SECTION ANALYSIS

Section 1—Short title

Section 1 establishes the short title of the act as the "Caribbean-Central America Economic Revitalization Act of 1982".

Section 2—Authorization of funds

Section 2 authorizes $350 million of economic support funds for the countries of the Caribbean and Central America for fiscal year 1982. These funds are in addition to other sums already authorized for these countries and, under the provisions of chapter 4 of part II of the Foreign Assistance Act of 1961, may be made available until expended.

Section 3—Requirements regarding the use of the funds

Subsection (a) of section 3 provides that not less than 80 percent of the funds appropriated under this act, excluding funds subject to section 3(b), shall be used in a manner which will generate local currencies. To the maximum extent feasible, these local currencies shall be used to support activities consistent with the objectives of sections 103–106 of the Foreign Assistance Act. These sections outline the purposes and specific types of projects for which development assistance may be used, including agriculture and nutrition, population planning and health delivery systems, education and human resources development, and energy and other selected development activities. In programing the local currencies and the specific amount set aside for development purposes in section 3(b), emphasis should be placed on activities that are consistent with the objectives of section 123 of the Foreign Assistance Act. Section 123 urges the use of private voluntary organizations (PVO's) and cooperatives in the implementation of the U.S. development assistance program, in order to accelerate the participation of poor people in the development process. Given the "grass-roots" approach and people-to-people orientation of these groups, the committee feels they should be utilized to the extent feasible in programing the economic assistance authorized in this act so that the people of the Caribbean and Central America will be actively involved in this effort to improve their lives and incomes.

Subsection (b)(1) provides that not less than $43.75 million of the funds appropriated under this act shall be used only for projects and activities which are carried out in accordance with the authorities of sections 103–106 of the Foreign Assistance Act, the development functional accounts. The use of this portion of the funds must also be consistent with the policy directions of section 102 of the Foreign Assistance Act, which sets forth the "New Directions" policies that govern U.S. development assistance.

Subsection (b)(2) provides that not less than $7.5 million of the $43.75 million earmarked in subsection (b)(1) shall be used only to finance scholarships for educational programs in the United States, including programs administered through the Hubert Humphrey North-South Scholarship program, the Fulbright Academic Exchange Program, and programs for the training of technical skills, for individuals from the countries in the Caribbean and Central America.

Subsection (b)(3) provides that not less than $10 million of the $43.75 million earmarked in subsection (b)(1) shall be used only by the United States or indigenous private non-profit organizations.

Subsection (b) (4) provides that not less than $2 million of the $43.75 million earmarked in subsection (b) (1) shall be made available to the Inter-American Foundation for support of the activities of the Foundation in the Caribbean and Central America.

Subsection (c) provides that, except for the additional $20 million provided for the land reform program in El Salvador in section 4(a) of this act, not more than $180 million of the funds authorized under this act may be made available to any one country.

Subsection (d) provides that, in allocating the funds authorized under this act, the President shall seek a reasonable balance between support for the public sector and support for the private sector and between balance-of-payments support and support for development projects, taking into account the specific situation and needs of each individual country.

Subsection (e) provides that agreements relating to assistance under this act shall require that particular emphasis be placed on using assistance, including local currencies, in a manner which will not cause serious injury, or the threat thereof, to the production, marketing, or pricing of U.S. agricultural commodities or products. In adding this provision to the bill, the committee clearly has in mind those products which would be directly competitive with U.S. agricultural products and could displace those products in the U.S. market. For example, the importation into the United States of products such as cauliflower, tomatoes, eggplant, avocadoes, grapefruit, oranges, lemons, limes, mangoes, papayas, and guavas can constitute a direct threat to the U.S. farming community. This provision, therefore, reflects current law and good economic practice by insuring that assistance to other countries not harm U.S. markets. The committee notes that the basic purpose of the President's Caribbean Basin Initiative is to promote new economic activity, particularly industrial, in the region. Since there is already an active agricultural sector in the area, the assistance contemplated under this section should be directed primarily toward developing other sectors which will bolster Caribbean and Central American economies without causing harm to the U.S. economy.

Subsection (f) stipulates that fiscal year 1982 ESF moneys in this legislation may not be made available for Haiti until the President has certified to the Congress that the Government of Haiti has met the fiscal performance targets established by the International Monetary Fund (IMF) for determining whether Haiti can use the Fund's facilities.

Section 4—El Salvador land reform program

Section 4 of this act concerns the land reform program in El Salvador.

Subsection (a) provides that, notwithstanding the country limitation of $80 million imposed by section 3(c), an additional amount of $20 million may be made available to the Government of El Salvador for the purpose of facilitating the prompt and equitable implementation of that country's land reform program. This authorization is specifically tied to land that was eligible for transfer or was transferred under that program prior to the date of enactment of this act in order to make clear that the funds shall be available for the implementation of the current land reform program and not some future land reform program in El Salvador.

These funds may be furnished notwithstanding section 620(g) of the Foreign Assistance Act, which prohibits the use of U.S. foreign assistance funds for the payment of compensation to owners of expropriated property.

This additional $20 million shall be provided to the Government of El Salvador solely in order to complete the land reform program at the earliest possible date, on the basis of prompt transfer of titles, leading to full rights of ownership. To that end, the $20 million shall be utilized so as to generate local currencies to capitalize a local currency account from which prompt and fair compensation will be paid for property acquired under phase III (the land-to-the-tiller phase) of the land reform program. This account will be replenished as necessary by payments required from the beneficiaries of phase III. The account will be subject to standard U.S. Government auditing requirements under bilateral development and economic assistance programs.

Subsection (b) provides that none of the funds appropriated under this act may be used for El Salvador unless the President determines and reports to Congress that the Government of El Salvador: (1) Has not altered the land reform program promulgated under Decree 154 (phase I) or Decree 207 (phase III) in a manner detrimental to the rights of the beneficiaries or the potential beneficiaries under those decrees; and (2) is making substantial progress in implementing the land reform program. The committee is taking this action to condition the economic assistance authorized for El Salvador in this act because of its belief that successful implementation of the land reform program is essential to returning that country to a state of economic and political stability. The committee would consider an alteration of this program as detrimental to the beneficiaries if it reduced or rolled back the fundamental rights to ownership of land provided for both the current and potential beneficiaries in the original decrees of 1980 by the Salvadoran Government.

Subsection (b) includes definitions of three of the key terms in the provision. The term "beneficiaries" means anyone who has applied for and received a provisional or final title. The term "potential beneficiaries" means (a) anyone who has applied for a provisional or final title without any final resolution having been made with respect to such application, and (b) anyone who, although having failed for whatever reason to apply for a provisional or final title, had the right to apply for such a title prior to the passage of Decree 6, dated May 18, 1982.

The term "substantial progress" means progress after March 28, 1982 (the date of the recent elections for the Constituent Assembly), as evidenced by: (a) A substantial increase in the number of provisional and final titles issued; (b) a substantial decline in evictions of beneficiaries and potential beneficiaries from lands for which they have applied for or hold provisional or final titles, and substantial efforts to safeguard the interests of those already evicted; (c) continuing acceptance of applications for provisional and final titles from beneficiaries and potential beneficiaries, and the provision of appropriate documentation to those seeking to file such applications; and (d) such other elements of substantial progress as may be appropriate.

In calling for a substantial increase in the issuance of title and a substantial decline in evictions, the committee does not intend a strictly statistical substantiation of progress. There are no agreed-

upon benchmarks on which to base or evaluate such statistics, and there are no official or agreed-upon numbers for evictions. What the committee is seeking is a significant pattern of progress by the Government of El Salvador in issuing provisional and final titles and in preventing evictions and protecting and restoring the rights of those who have been evicted. To that end, specific statistics may be useful to indicate the pattern or trend.

Section 5—Inter-American Development Bank

This provision is an amendment proposed by Senator Glenn to call attention to the ongoing replenishment negotiations of the Inter-American Development Bank's ordinary capital account and Fund for Special Operations. Sec. 5(a) outlines Congressional findings with respect to the importance of the Caribbean Region to the United States, the critical need for an economic catalyst to the region to promote economic recovery and political stability, and the great benefit that multilateral development banks, particularly the Inter-American Development Bank (IDB), have been in contributing to economic development, advancing U.S. humanitarian interests and leveraging U.S. funds by obtaining contributions from other donors in proportion to U.S. contributions. Sec. 5(b) is a Sense of the Congress provision which urges the President to consider the importance of the Caribbean region and the past success of the IDB in assisting economic development in furtherance of U.S. interests when instructing U.S. representatives in the ongoing replenishments of the IDB's ordinary capital account and Fund for Special Operations (FSO). Specifically, this provision urges that the forthcoming replenishments of the IDB's ordinary capital account and FSO be of sufficient size to permit the IDB to increase its annual lending to CBI countries by 15 percent annually through 1987.

The Committee noted the inconsistency of seeking to reduce U.S. contributions to the IDB and other multilateral development banks which serve the region, and particularly to the FSO which has provided more than 50 percent of the bank's lending (on concessional terms) to the region, while at the same time asking the Congress to increase bilateral concessional assistance to that region by 40 percent. The Committee noted the impressive 23-year record of the IDB in marshalling multilateral funds to assist the economic development of the region. The Committee also wished to stress the significant multiplier effect of this multilateral institution in generating $4 of loans for every dollar of U.S. contributions to the IDB's ordinary capital account and $3.50 of loans for every dollar of U.S. contributions to the FSO.

Section 6—Puerto Rico and the U.S. Virgin Islands

This provision is an amendment offered by Senator Dodd in the form of a Sense of the Congress amendment to call attention to the special relationship which exists between the United States and the U.S. Virgin Islands and Puerto Rico. This provision stresses that the implementation of the CBI should also promote economic development and political stability in Puerto Rico and the U.S. Virgin Islands. It instructs appropriate U.S. officials to carefully monitor the implementation of the CBI to ensure that Puerto Rico and the Virgin Islands do receive positive benefits, and if not, to propose the necessary remedial legislation to ensure that this becomes the case.

Section 7—Haiti

This provision is an amendment offered by Senator Zorinsky to provide that any funds made available to Haiti through this bill to the maximum extent possible, be for use by private voluntary organizations or for use by the private sector of Haiti.

The Committee took note of a February 22, 1982 report by the General Accounting Office (GAO) which concluded that the United States could emphasize grass roots participation in development in Haiti by greater use of private and voluntary organization or by working directly with the Haitian people rather than on a government-to-government basis. It noted that significant development barriers and limited capabilities existed within the Government of Haiti which has prohibited the successful implementation of large government-to-government aid programs.

Section 8—Tourism

This provision is an amendment offered by Senator Pressler providing that U.S. agencies in implementing the CBI should adopt policies which encourage the development of the travel and tourism industries in the region because of the important job creating impact such industries have in the region.

Section 9—Western Atlantic bluefin tuna

This provision expresses the sense of Congress that the President when negotiating agreements with Caribbean Basin countries pursuant to this Act, should seek commitments by such countries to participate in an international arrangement for the sound management of the stock of Western Atlantic bluefin tuna. Bluefin tuna spawn in Caribbean waters, and fisheries experts have expressed concern that over-fishing in the spawning grounds, as well as in the Western Atlantic generally, could deplete this valuable renewable resource which provides food, revenue, and recreational enjoyment throughout the Caribbean and Western Atlantic regions. An International Convention for the Conservation of Atlantic Tunas entered into force in 1969, but the only countries bordering the Caribbean to sign the convention to date are the United States and Cuba. Furthermore, the convention and the regulations issued by the International Commission for the Conservation of Atlantic Tuna (ICCAT) may not be sufficient to insure the sound management of the bluefin tuna for the long term.

The purpose of the bluefin tuna provision in this bill is to call the attention of all Caribbean countries to their responsibility to join in an effective international arrangement for bluefin tuna management. The United States' commitment to assist the economic recovery of the Caribbean region should be matched by the commitments of the Caribbean nations to the conservation of valuable natural resources, the Western Atlantic bluefin tuna, in particular.

Section 10—Report to the Congress

Section 10 provides that the President include in the annual report submitted under section 634 of the Foreign Assistance Act a full and detailed description of the disposition of the funds appropriated under this act, including the allocation of funds under section 3(d) regarding the balance between the uses of the funds.

Section 11—Statement on future aid

In adopting Section 1 of this bill, the Committee finds that the Administration's proposed supplemental assistance of $350 million of Economic Support Funds, would be utilized primarily to meet current expenses on previously incurred debt and foreign exchange requirements resulting from balance of payments difficulties. The Committee reasserts its belief that in the long run, the best hope for providing an economic catalyst to the region rests with a major multilateral effort which will attack the fundamental economic problems facing these nations by providing multi-year financing for those economic projects and programs which must be undertaken if the appropriate climate is to be created to further the expansion of international investment and trade which are the linchpins of the CBI proposal.

It was for these reasons that the Committee earlier adopted Senator Dodd's amendment which "multilateralized" most of the aid funds originally authorized by Title II of the CBI. Specifically, Senator Dodd's amendment authorized the President to negotiate with World Bank (Bank) officials in order to establish a Caribbean Basin Trust Fund (Fund), with the World Bank. The Dodd Amendment, would have set a 35-percent ceiling on the total U.S. share of such a trust fund.

Both the World Bank and the Inter-American Development Bank make loans to CBI countries. The average annual multilateral development banks' lending to CBI countries between 1977–81 totalled $837 million. Of that amount, the United States would have provided, through its contributions to the various accounts in the two institutions,[1] approximately 32 percent of the total. The U.S. share of the total varies both from institution to institution as well as within institutions depending upon whether it is a hard loan or soft loan window; therefore, the 32 percent represents a rough estimate of the average of all of the various accounts.

The Committee noted that precedent does exist for establishing such trust funds with multilateral development banks, and falls well within the charters of these institutions. In the case of the Inter-American Bank, for example, the United States established a special trust—The Social Progress Trust Fund—with the IDB in 1961, pursuant to Congressional intent expressed as part of the Latin American Development Act of 1960. In addition, in 1975, the Government of Venezuela also established a Venezuelan Trust Fund with the IDB—its purpose to provide financial assistance to those countries of the region which are relatively least developed.

The International Bank for Reconstruction and Development (World Bank) also has an established precedent for accepting funds, from a subset of its members, to be utilized for specified purposes. In May 1978, the International Development Association (IDA)—a member of the World Bank group—signed an agreement with the nine members of the European Economic Community whereby IDA agreed to act as Administrator of a "Special Action Account" which was to promote assistance to low income countries facing problems of resource transfers and whose prospects had been seriously reduced by adverse external factors. The size of this "Special Action Account" was made up of donations of $429 million from the nine participants.

[1] Through U.S. contributions to the institutions in both callable and paid-in capital.

The Committee believes that it is particularly important to foster multilateral aid initiatives especially given current domestic budgetary restrictions which severely limit U.S. capacity to provide foreign assistance. Multilateral efforts have generated greater funds for fostering principles of international burden sharing among those nations which are both willing and able to provide assistance to deevloping countries.

It was with these considerations in mind that the Committee undertook to preserve the principle that long-term solutions for this region must be channeled through multilateral institutions to the maximum degree, while the Committee also sought to provide bipartisan support for the hard-pressed economies of the region. It is the Committee's intention that its approval of this fast-disbursing aid be a one time economic "shot in the arm" for the Caribbean Basin. Future efforts must be aimed at resolving the underlying structural economic problems of unemployment, capital flight, and political uncertainty.

COST ESTIMATE

The following cost estimate of this bill has been provided by the Congressional Budget Office.

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, D.C., September 10, 1982.

Hon. CHARLES H. PERCY,
Chairman, Committee on Foreign Relations,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to Section 403 of the Congressional Budget Act of 1974, the Congressional Budget Office has reviewed the Caribbean and Central American Economic Revitalization Act of 1982, as ordered reported by the Senate Committee on Foreign Relations on September 9, 1982.

This legislation authorizes the appropriation in fiscal year 1982 of $350 million for security assistance programs to countries in the Caribbean and Central American region. The funds authorized in this legislation have been provided for in the 1982 Supplemental Appropriation, H.R. 6863. Assuming that the $350 million appropriation is enacted, there are estimated to be $184 million outlays in fiscal year 1982, $154 million in fiscal year 1983, and $12 million in fiscal year 1984.

Should the Committee so desire, we would be pleased to provide further details on this estimate.

Sincerely,

RAYMOND C. SCHEPPACH,
(For Alice M. Rivlin, Director).

REGULATORY IMPACT STATEMENT

In accordance with rule XXIX of the Standing Rules of the Senate, the Committee has evaluated the regulatory impact of this bill and finds that its enactment would have no regulatory impact.

CHANGES IN EXISTING LAWS

In compliance with paragraph 12 of rule XXVI of the Standing Rules of the Senate, the Committee notes that no changes are made by this bill.

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